



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**Report on the Activities of the
Office of the Inspector General
Fiscal Year 1999**

**CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL**

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MESSAGE FROM CHARLES C. MADDOX, ESQ. THE INSPECTOR GENERAL

On May 20, 1999, I was appointed Inspector General of the District of Columbia by Mayor Anthony A. Williams. I am honored to have been selected for this position, and I am also proud to have the opportunity to carry forward many of the objectives of my distinguished predecessor, E. Barrett Prettyman, Jr. I had the good fortune to work closely with him during his stewardship of this Office. The dramatic increase in statistical accomplishments for the Audit and Investigations Divisions for Fiscal Year 1999 (FY 99), as set forth in the body of this Report, is in large part the result of his efforts.

Statistics. The productivity of the Office during the past fiscal year is very encouraging. Input levels (which are significant because they measure how often people in the District bring their problems to us) are up dramatically: the number of complaints and allegations referred to the Investigations Division rose from 321 in FY 98 to 670 in FY 99. Contributing to this increase was the rise in the number of calls placed to our Hotline, from 130 received in FY 98 to 358 received in FY 99. Similarly, the number of resolutions of these complaints and other investigative matters – either through active investigation or referral to other District agencies for handling – is significantly higher, as reflected by the tables of statistics set forth in the body of this Report. Perhaps most impressive, however, are the Investigations Division's recoupment figures, i.e., recoveries and restitution, which rose from \$353,661 in FY 98 to \$1.18 million in FY 99.

During FY 99, the Audit Division issued 28 reports that included 87 recommendations with associated dollar savings to the city of \$18.9 million (contrasted with \$2.8 million in FY 1998). These savings should be measured against the Audit Division's operational cost of about \$1.6 million, resulting in a return on investment for audits performed at approximately \$12 for each dollar invested. We attribute our increase in dollar savings to our audit planning process, which places an emphasis on scheduling audits which will best identify economies and efficiencies that can be achieved in carrying out District government operations.

Qualitative Improvements. While statistics are an important measure of how well we accomplish our mission, I am preparing for the challenges of the future by continuing to improve our infrastructure and methodology. This is necessary not only to ensure that this Office carries out its statutory responsibilities, but also that it retains the ability to enhance, when appropriate, intragovernmental pursuits, such as the Mayor's strategic initiative to make government work efficiently by enforcing performance standards and requiring accountability from employees at all levels.

I am preparing to accomplish the Office's strategic mission in the following ways: (1) by building an organization that, like federal IG Offices, has a third component – management inspector/evaluators – to work together with audit and investigative

branches to combat inefficiency in government; (2) by intensifying efforts to identify fraud, waste and abuse in specific problematic areas, such as Medicaid fraud; (3) by developing precise and effective methods for ensuring that deficiencies uncovered by our investigations, audits, and inspections are not only communicated to - but are also addressed, and corrected by - all components of the District government, and (4) by making every effort to ensure that our initiatives are responsive to a broad spectrum of concerns and complaints, irrespective of whether they originate with the Mayor, the Council, the Control Board, employees of the District government, or the citizens of the District themselves.

Creation of the Inspections and Evaluations Division. In May 1999, I established an Inspections and Evaluations Division (I&E) to complement the existing Audit and Investigations Divisions. Like most federal IG Offices, we can now take a three-pronged approach in carrying out our mission to combat fraud, waste, and abuse, and in helping agency heads and program managers to provide the best services possible. In fact, I&E has recently completed an inspection of this Office that will lead to significant improvements in how we manage our internal operations and carry out our mission. I&E is now completing an inspection of the Department of Motor Vehicles that will produce far-reaching recommendations for improving services to District motorists. Plans are underway for increasing the staffing of this Division as well as the schedule of routine inspections and follow-up evaluations that I expect will promote – as a standard way of doing business – efficiency, effectiveness, and accountability in the vital customer service operations of this city.

A Medicaid Fraud Control Unit for the District. Despite the fact that approximately \$840 million in Medicaid funds were spent in the District last year, this city is one of the few jurisdictions in the United States that lacks a federally-funded Medicaid Fraud Control Unit (MFCU) to investigate and prosecute healthcare fraud and patient abuse. Assuming that the District's fraud rate is approximately equal to the national average of ten percent, there has been a lost opportunity to recover over \$84 million in Medicaid funding each year. To make matters worse, federal subsidies available to establish and operate a MFCU have gone unclaimed. These subsidies amount to over \$8 million – a sum that represents one percent of the total Medicaid funds spent in the District each year. Based on my proposal to establish a federally-certified MFCU for the District, the Mayor has authorized me to submit an application for a grant that would provide 75% of the operating cost of this initiative. Such an application has been completed and submitted. While the MFCU will become a Division of our Office, it will rely heavily on agency cooperation – from the Office of the United States Attorney, the Department of Health of the District of Columbia, the U.S. Department of Health and Human Services, the Federal Bureau of Investigation, and the Office of the Corporation Counsel. The goals of the MFCU will be to prosecute Medicaid fraud, recover monies lost due to false claims, and investigate patient abuse.

New methods of ensuring accountability. During the performance of audits, investigations, and inspections, we often identify problems that may be indicative of systemic weaknesses within an entire agency, department, or the District government itself. I have introduced three types of reports that communicate our findings of deficiencies and, just as importantly, recommend that specific corrective action be taken.

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- A Management Alert Report (MAR) is a report that is issued to the head of an agency for the purpose of identifying systemic problems that are identified during an audit, investigation, or inspection. This report can also be used as a quick reaction report when it is necessary to advise management that immediate action is needed. We have already issued nine MARs since my tenure as IG began.
 - A Management Implication Report (MIR) is a report that is issued during or at the completion of an audit, investigation, or inspection, typically alerting the heads of all District agencies of a problem that we identified in the agency being investigated, audited or inspected, and which may also be occurring within their particular agencies. We have issued six MIRs to date.
 - A Fraud Alert Report (FAR) is a report identifying a fraudulent scheme or schemes discovered most commonly as a result of a criminal investigation. This report is issued to the heads of all District agencies to alert them to be on the lookout for similar schemes within their own agencies.

Outreach. The Office must constantly be attuned to a broad spectrum of needs and concerns, including those of the governing bodies of the District – the Mayor, the Council, the Control Board – as well as District government managers, employees, and citizens. At the same time, it is necessary for me to remain independent in all respects so that the reports of this Office will be viewed as reflecting findings of objective and unbiased audits, investigations, and inspections. I recognize that independence does not require isolation, and I will continue to be as inclusive as I can in deciding where and how to focus our inquiries. To that end, I actively seek and receive input from the Mayor, the Council and other components of the District government.

Perhaps the most important people to reach are the employees and residents of the city. Often, they are first-hand witnesses and victims of the problems that beset our governmental operations. In that regard, I have redoubled efforts to reach out and instruct citizens about the capabilities of this Office. For example, we place most of our reports, as well as this Annual Report, on our newly expanded website (www.d cig.org); we attend more community functions; and we now advertise our toll-free hotline (1-800-521-1639) at selected Metro stations.

Because I believe that outreach to and interaction with the government and community are critical to the success of this Office, I have added to my executive-level staff a communications and intergovernmental relations specialist, whose function it is to encourage stakeholders – from the government, the workforce, and the community - to understand and use our services.

A Final Word. Although this Annual Report outlines a number of achievements of the last year as well as the development and use of new and creative methods for addressing ongoing and future projects, I recognize that much remains to be done. I look forward to working in a cooperative spirit with all of our stakeholders to continue what I believe is positive momentum in the improvement of government services, the development of economic revival and healthy neighborhoods, and, ultimately, improved quality of life for all people in the District of Columbia.

GENERAL ACTIVITIES - ADMINISTRATIVE

Mission

The mission of the Office of the Inspector General (OIG) is to independently:

- (1) Conduct and supervise audits, investigations, and inspections relating to the programs and operations of District government departments and agencies, including independent agencies;
- (2) Provide leadership, and to coordinate and recommend policies designed to promote economy, efficiency, and effectiveness, and to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District programs and operations; and
- (3) Provide a means of keeping the Mayor, Council, and District government department and agency heads fully and currently informed about problems and deficiencies relating to the administration of these programs and operations and the necessity for corrective actions.

Organization

The OIG is organized into three Divisions – the Audit Division, the Investigations Division, and the Inspections and Evaluations Division – each of which is headed by an Assistant Inspector General.

The Audit Division performs internal audits and supervises external audits of D.C. government agencies, programs, and operations. Internal audits provide management with an independent appraisal of whether desired results and objectives are achieved efficiently, economically, and in accordance with prescribed laws, regulations, policies, and procedures. These audits include both performance and financial audits.

The Investigations Division conducts investigations of allegations of misconduct by D.C. government employees, contractors, and financial assistance recipients, which may involve violations of D.C. or federal criminal law, civil statutes, regulations, or employee standards of conduct. Specialized units within the Division investigate suspected wrongdoing relating to D.C. contract and procurement operations, healthcare fraud and public corruption.

The Inspections and Evaluations Division, established in the spring of 1999, conducts evaluations of the management and performance of the operations and programs in D.C. government agencies. This Division generally concentrates its efforts on one agency at a time in order to identify what works, as well as what does not, what needs improvement, and what needs change. Based on these evaluations, the Inspections and Evaluations

Division issues reports containing recommendations, with an emphasis on accountability, to assist the agencies in achieving efficiency, effectiveness and economy.

Statutory Responsibilities

The statutory duties of the OIG were originally established by the D.C. Procurement Practices Act of 1985. In 1995, Congress substantially revised the OIG's powers and responsibilities in the D.C. Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, § 303 (adopted April 17, 1995). Both statutes are codified at D.C. Code § 1-1182.8.

Subsequently, the D.C. Council enacted the "Office of the Inspector General Law Enforcement Powers Amendment Act of 1998," D.C. Act 12-461. The Act authorizes the OIG's criminal investigators to (1) carry firearms while engaged in the performance of official duties, (2) make arrests without a warrant for felony violations committed in their presence, and (3) execute search warrants issued upon probable cause.

On March 2, 1999, Councilmembers Kathy Patterson and David Catania introduced Bill 13-143, entitled "Office of the Inspector General Powers and Duties Amendment Act of 1999." The primary purpose of the Bill is to increase the independence of the OIG. The Bill was also designed to codify certain essential and already existing OIG practices, to resolve a number of omissions or ambiguities in the existing OIG statute, and to make the OIG's powers and procedures more closely resemble those of federal Inspector Generals' Offices.

In its final version, this legislation contains provisions that accomplish the following:

- Codify the OIG's mission statement (as set forth on the previous page).
- Require the OIG to comply with generally accepted auditing, investigation and inspection standards.
- Require the OIG to issue an annual report that summarizes the activities of the preceding fiscal year.
- Require the OIG to develop and participate in a peer review process, conducted by another (usually federal) OIG. This will enable the OIG to complete, every third year, a thorough assessment of its auditing and investigative standards, policies, procedures and quality controls. Each peer review includes a final report that will be issued to the Mayor, the Council and the Control Board.
- Provide the OIG with advance notification of any external audits conducted by any District government entity and require that the OIG be provided with a copy of the final report issued.

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- Expressly authorize the OIG, independent of a request from the Mayor, to conduct whatever audits, inspections and investigations that it deems necessary or desirable.
 - Limit notification to the Mayor of evidence of wrongdoing only to situations where it is appropriate to do so.
 - Codify the current policy of non-disclosure of the identity of complainants or individuals providing information to the OIG unless the IG determines that disclosure is unavoidable or necessary to further the investigation.
 - Clarify that in the course of its official duties, the OIG has access to all papers, things or property belonging to, or in use by, District government or independent agencies, with the exception of the Council of the District of Columbia and the District of Columbia Courts.
 - Authorize the IG to administer or take oaths, affirmations and affidavits, and to delegate this authority to appropriate OIG personnel.
 - Expand protection against retaliation, not only to all complainants, but also to persons who disclose information to the OIG, unless the complaint was made or information disclosed with knowledge of its falsity or with willful disregard for its truth or falsity.
 - Codify the OIG's responsibility to make recommendations to the Mayor or agency heads for administrative sanctions against any employee or contractor who refuses to cooperate with an official OIG investigation.

On October 5, 1999, The District of Columbia Council passed Bill 13-143, which has now been approved by the Mayor and the Control Board, and awaits Congressional review.

Budget and Personnel

The OIG's FY 1999 budget was authorized for \$7.4 million and 60 Full-Time Employees (FTEs). Six months into the fiscal year, this was increased by \$501,000 and 9 FTEs. This increase, in part, supported the newly established Inspections and Evaluations Division and the purchase of new computer equipment to meet Y2K compliance requirements.

OIG Budget (in millions)

FY 99 (original):	\$7.4
FY 99 (revised):	\$7.9
FY 00 (proposed):	\$8.1
FY 00 (approved):	\$6.8

Purchases

The OIG made the following purchases of equipment and services in FY 99:

<i>Equipment or Service Purchased</i>	<i>Quantity</i>
Computer Network Server	1
Internet Website Renewal	1
Lexis/Nexis Subscription Renewal	1
Employee Workstations	13
Electronic Scanner	1
Laserjet 5SI Printer	1
Photocopier	1
Fax machine	1
Notebook Computers with Docking Stations	13
Computer Color Monitors	52
Portable Color Printers	10
Network Ready Printers	2
Executive Desk w/hutch, credenza, & bookcase	1
Guest Chairs	9
Conference Table	2
Conference Table Chairs	10
Desk Chairs	20
AutoTrack XP	1
Telephones	20
File Cabinets	10
Pagers	4

Other expenditures by the OIG in FY 99 include the leasing of additional office space to accommodate the Inspections and Evaluations Division.

Hotline Usage

D.C. Code § 47-2881 requires the OIG to submit quarterly reports to Congress on the number and nature of calls placed to “the telephone number established by the Inspector General . . . for reporting instances of waste, fraud, and abuse. . . .” D.C. Code § 47-2881(a). The OIG hotline numbers are (202) 727-0267 and 1-800-521-1639.

A total of 358 calls was received on this line during FY 99, up from 130 in FY 98. While hotline calls represent just one of the ways in which government employees and concerned citizens provide information to the OIG, it is important to note that some of the most significant cases the OIG investigates result from calls placed to the OIG hotline. The OIG also receives reports of government corruption, waste, fraud, abuse and the like, by mail, in person, and by referral from other departments and agencies.

As reflected in the statistical table in the Appendix, the OIG hotline is used to report a wide range of matters. However, not all calls result in the opening of an investigation by the OIG. In some cases, the callers (many of whom elect to remain anonymous) fail to

impart enough information to enable the OIG to initiate an investigation. Other calls concern matters that are not within the OIG's jurisdiction for investigation. Still other matters cannot be taken due to a lack of personnel and resources to handle the investigations.

Website

The OIG website (www.dcig.org) contains general information about the OIG: its organization and biographies of key personnel; tells how the OIG may be contacted on the OIG hotline, in writing, and by e-mail; gives suggestions as to what information to provide when reporting fraud, waste, abuse and mismanagement to the OIG; contains the full text of certain OIG reports and media releases; and provides links to related websites.

Training

The training courses received in FY 99 by OIG personnel are summarized as follows:

<i>Type of Training</i>	<i>No. of Courses Taken</i>
Audit	63
Investigative	19
Computer	20
Office management/admin.	21
Total Training Courses:	123

Senior Staff

The OIG's senior staff positions were occupied as follows:

Inspector General

5/20/99 – present:	Charles C. Maddox, Esq.
4/10/99 – 5/19/99:	Charles C. Maddox, Esq. (Interim)
1/14/98 – 4/9/99:	E. Barrett Prettyman, Jr., Esq.

Deputy Inspector General

4/13/98 – present:	Richard D. Sullivan, Esq.
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General Counsel

5/20/99 – present:	Austin A. Andersen, Esq.
4/13/98 – 2/28/99:	Charles C. Maddox, Esq.

*Assistant to the Inspector General for Communications and Intergovernmental Relations**

10/25/99 – present: Gloria Johnson

Assistant Inspector General for Investigations

11/10/97 – present: David Bowie

Deputy Assistant Inspector General for Investigations

5/15/98-present: Alfred Miller

Assistant Inspector General for Audits

5/11/98 – present: John N. Balakos

*Deputy Assistant Inspector General for Audits**

6/21/99 - present: William DiVello

*Assistant Inspector General for Inspections and Evaluations*¹*

6/21/99 – present: Alvin Wright, Jr.

4/10/99 – 6/20/99: position vacant

3/1/99 – 4/9/99: Charles C. Maddox, Esq.

*Deputy Assistant Inspector General for Inspections and Evaluations**

6/21/99 - present: Robert Isom

Administrative Officer

3/21/93 – present: Grace Price

*Position created during FY 99

¹ Prior to Mr. Wright's incumbency, Mr. Maddox, the head of this unit, was a Deputy (*vice* an Assistant) IG for I&E.

ACTIVITIES OF THE AUDIT DIVISION

Organization

The OIG Audit Division is headed by an Assistant Inspector General for Audits (AIGA), a Deputy AIGA and four Directors. The AIGA sets policy and through the Deputy AIGA provides the leadership and direction of the Division. The Directors manage the day-to-day projects and activities of the auditors and are accountable for the following areas: (1) General Audits; (2) Contracting and Procurement Audits; (3) Information Technology Audits; and (4) Audits, Policies, and Planning.

The Audit Division is responsible for auditing District organizations, programs, functions and activities. These audits complement other elements of management evaluations and are aimed at providing reliable and constructive recommendations for improved administration of operations. Key elements of internal audits conducted by the OIG are the independence of the OIG from the management of such programs and the OIG's responsibility to report to top management and other stakeholders on the results of such audits.

Internal audits include both performance and financial audits. Performance audits are systematic evaluations of functions, programs, and activities. The purpose of these evaluations is to improve accountability and facilitate effective decision-making. Financial audits assess whether the financial statements of an entity fairly present the financial position of that entity in conformity with generally accepted accounting principles.

Credentials/Qualifications

The Audit Division is comprised of 22 persons. All auditors have four-year degrees from an accredited college or university. Additionally, many of our auditors hold advanced degrees and other certifications such as:

- Certified Public Accountant
- Masters Degree in Finance
- Certified Internal Auditor
- Certified Fraud Examiner
- Certified Government Financial Manager
- Certified Information System Auditor

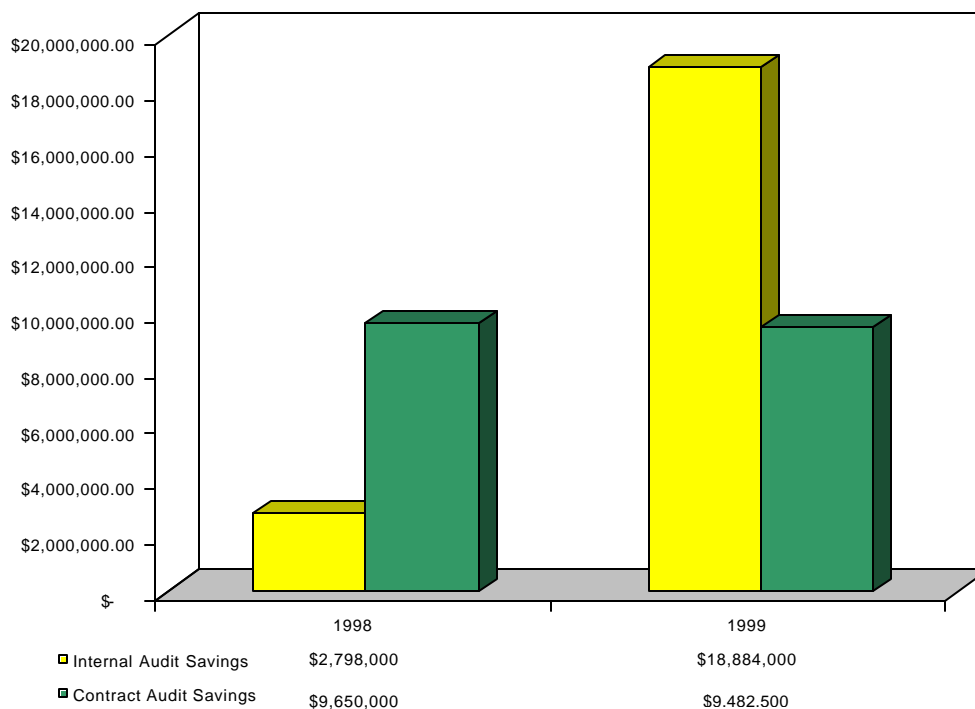
Members of our staff are also active in professional organizations such as the American Institute of Certified Public Accountants, Association of Government Accountants, National Association of Local Government Auditors, and Institute of Internal Auditors.

Savings from OIG Audits

We have adopted the same performance measures used by federal agencies and other IG organizations. Additionally, we record monetary benefits using reporting categories as prescribed for federal IGs in the Inspector General Act of 1978.

Benefits derived from our audits are expressed using quantitative as well as qualitative measures as appropriate. For example, monetary benefits are categorized as either "Funds Put to Better Use," or as "Questioned Costs." "Funds Put to Better Use," means that funds could be used more efficiently if management implements the recommendations made by the audit. They include deobligation of funds from programs or operations and savings that result from implementation of recommended improvements. "Questioned Costs" are incurred costs that are questioned because of an apparent violation of a law, regulation, contract, or grant governing the expenditure of funds.

The enhanced revenues and cost savings brought to the District by the OIG's total audit activity – both OIG-performed and contractor-performed - amounted to approximately \$28.4 million for the fiscal year ending September 30, 1999. The following chart compares the cost savings that this Division identified in FY 98 and FY 99.



Completion of the Annual Financial Audit

Through the Audit Division, the District's Fiscal Year 1998 contract for the Comprehensive Audit and Financial Report (CAFR) was awarded to the accounting firm of Mitchell and Titus, LLP at a cost of \$1.895 million. The audit reported an unqualified opinion, which is that the District's general fund statements were fairly presented in accordance with generally accepted accounting principles. It also reported a \$444.8 million surplus for the city. A concern was noted for the District's late efforts in complying with the Year 2000 conversion for all its automated systems. This meant that the District's progress on its conversion was not where it should have been at the time of the completion of the audit. However, this was not unusual when compared to the progress of other state and local governments. A report containing the Management Letter, the Independent Auditors Report on Internal Control Structure, and the Independent Auditor Report on Compliance with Laws and Regulations for the period ending September 30, 1998, was issued on January 29, 1999. The CAFR included 11 component units (ten for financial statements and one for an actuarial study).

With the issuance of the FY 1998 CAFR, the city has received its second consecutive unqualified opinion on its financial statements, demonstrating that sound financial management has been restored to a city that was insolvent only four years ago.

Contracts for External Audits and Other Services

Under D.C. Code § 1-1182.8(a)(3)(B), the OIG exercises responsibility over "all external audits of the District government." The OIG carried over 40 external audit engagements from FY 98 into FY 99. We completed 44 engagements during FY 99.

Testimony Before the D.C. Council

The AIGA testified before the D.C. Council four times during FY 99. One of these hearings involved testimony on the activities of the OIG, of which the Audit Division was a major part. Another hearing involved an agency audit of the District's disability payment process. The other hearings involved testimony on the OIG budget.

Reviews of Canceled Solicitations

Pursuant to its responsibilities under D.C. Code § 1-1183.7 and D.C. Mun. Regs., tit. 27, § 1618.6 (1998), in FY 99 the OIG reviewed the cancellation of 27 contract solicitations to determine whether the cancellations were in the best interest of the D.C. Government.

The FY 2000 Audit Plan

The Annual Plan is prepared pursuant to D.C. Code § 1-1182.8(a)(3)(I). This Act requires, in part, that the OIG, in consultation with the Mayor, Council, and Authority, establish an audit plan 30 days prior to the commencement of each fiscal year.

The FY 2000 Plan, completed on August 31, 1999, contains audits that are required, discretionary, or pursuant to special request from District leaders and managers. The Plan is broken down into two parts: 1) audits to be conducted by the OIG which are required, special request or discretionary, and 2) audits to be conducted by contract with external auditors which are required, discretionary, or pursuant to special requests from District management.

The FY 2000 Audit Plan includes the OIG and stakeholder initiatives for audit coverage with particular focus on the deterrence of fraud, waste and mismanagement. The Plan also focuses on increased coordination and assistance to District managers along with support of independent Certified Public Accountants (CPAs) who provide audit support for the District's CAFR and the review of other functional areas.

Our Audit Plan for FY 2000 reflects 16 new audits and an additional 12 audits carried over from FY 1999. For audits conducted by external auditors, we have 17 new audits and 59 carried over from FY 1999. We are also setting aside time for OIG investigations which require audit work and any special requests from the Authority, the Council, the Mayor, or other members of District management.

Training Established and Received by the Audit Division

The Audit Division ensures that its auditors comply with Government Auditing Standards (GAS) which require the completion of 80 hours of continuing professional education every two years. Twenty-four of these hours are to be in subjects related to governmental auditing.

The Audit Division has established training programs for its auditors in the areas of statistical sampling and report writing to provide them with better auditing and reporting skills. Training received by the OIG's audit staff included Auditing Automated Applications, Finding Development and Report Writing, Introductory Auditor Training, Internal Auditing and Controls, and Information Systems Auditing. Additionally, classes were developed for the Audit Division to allow its auditors to audit "smarter" through scientific statistical sampling, which reduces the number of documents that must be reviewed.

Establishment of Liaisons

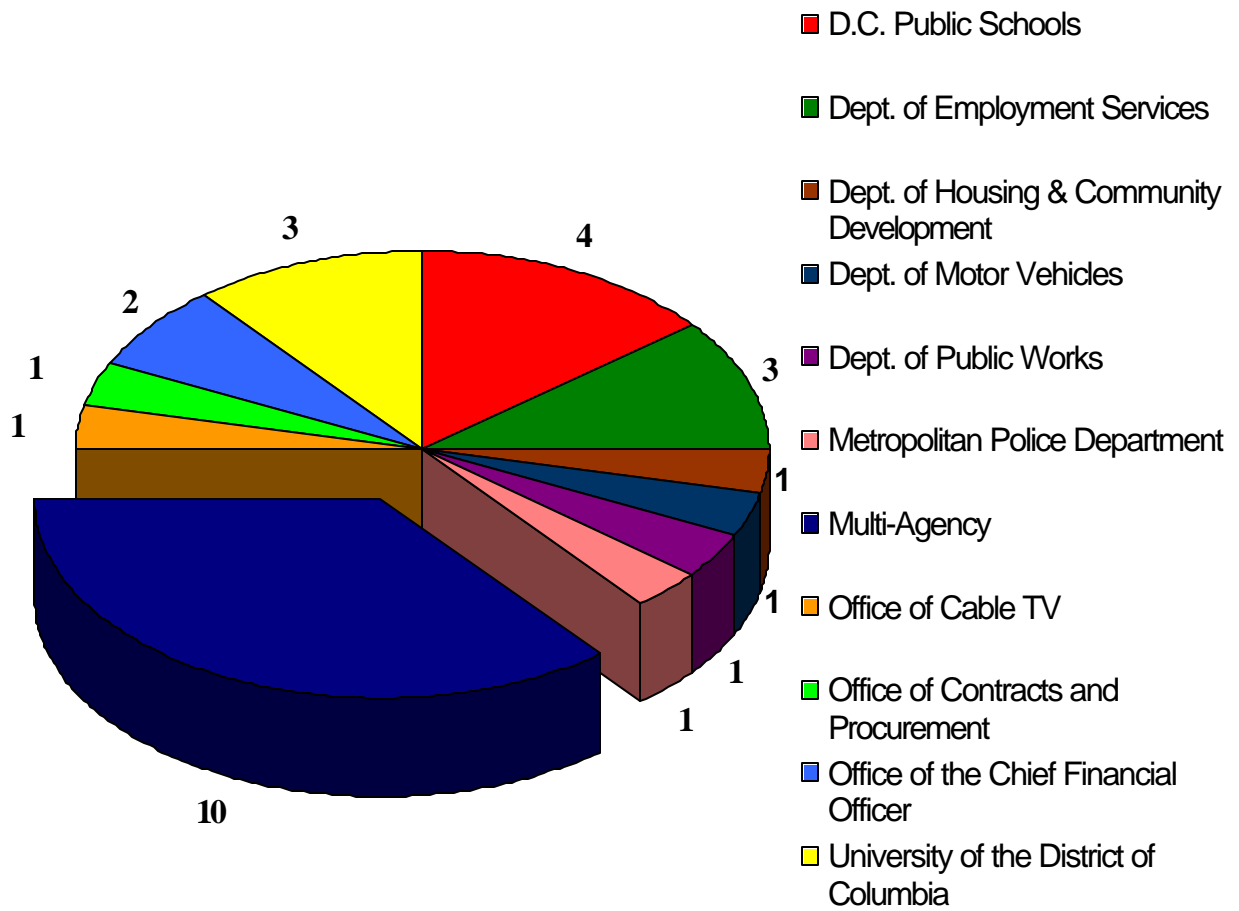
Pursuant to the statutory mandate contained in D.C. Code, § 1-1182.8(a)(3)(B), the OIG is required to act as liaison representative for all external audits of the District of Columbia government. We have notified the President's Council on Integrity and

Efficiency of this requirement and asked member organizations to notify this Office of any planned or future audits in the District. As a result, IG organizations and the General Accounting Office have coordinated their work with the AIGA.

Audit Reports Issued in FY 99

The Audit Division issued 28 final reports for the FY 99. Audits performed were conducted as part of our FY 99 Audit Plan, due to legislative mandate, or as a result of a special request from District leaders and managers. Recommendations from our audits were made to agency heads that required corrective measures necessary to improve the operations, address noted deficiencies and ensure that prescribed regulations, policies, procedures, and standards are being followed. Upon the issuance of our final report, agencies cited actions taken or planned to address our recommendations.

Our reports can be accessed via our website. The 28 audit reports involved the following District government entities:



Summary of Audits

Cash Management Improvement Act (CMIA) – FY 1996 Interest Liability Claim, November 17, 1998

The OIG recovered interest liability amounts of approximately \$1.3 million on CMIA federal grants received for FYs 95 and 96.

Cash Management Improvement Act – FY 97 & FY 98 Interest Liability Claims, February 3, 1999

The OIG recovered interest liability amounts of approximately \$2 million on CMIA federal grants received for FYs 97 and 98.

Implementation of the Cash Management Improvement Act for the period October 1, 1994, to September 30, 1998, May 13, 1999

As part of the recalculation of interest liability amounts due for FYs 95 through 98, we reviewed the District's controls over the implementation of the CMIA. We found that the District had not established structures and processes to fully implement the CMIA, nor was progress made in achieving the purpose of equitable, timely fund transfers which is required by good cash management practices.

Audit of the Procurement and Administration of Security Contracts, October 27, 1998

Our audit found that the Office of Contracts and Procurement (OCP) did not comply with procurement regulations in regard to: 1) the use of the emergency procurement method; 2) the determination of contractors' responsibility; and 3) funding availability. The review showed further that the OCP did not have written procedures in place, and that improvement is needed in administering security contracts.

District of Columbia Public Schools (DCPS) Audit of the Special Education Program Fiscal Year 1998, June 22, 1999

Our audit found that DCPS was not in compliance with federal or District regulations in the administration of the special education program. DCPS did not: (1) evaluate and place special education students in a timely manner; (2) conduct due process hearings or implement determinations made by an independent hearing officer in a timely manner; (3) provide students related services specified in their individualized education programs (IEP); and (4) report activities of the program annually to the Board of Education.

Audit of the Direct Activity Purchase System (DAPS) and Student Activity Funds (SAF) at Margaret Murray Washington Career High School October 1, 1996, to September 30, 1998, December 23, 1998

Our audit found that DCPS school officials did not comply with DAPS and SAF policies and procedures. We identified that funds were used improperly and were not being set aside for student-related activities. Also, there was no documentation to support some of the purchases and other expenditures. As a result, our audit identified \$104,868 in disallowed costs and \$22,291 in questioned costs.

Unemployment Compensation Payments to District of Columbia Government Employees, September 10, 1999

Our audit found that over \$2.2 million in summer unemployment benefits were improperly paid to DCPS employees who returned to work at the start of the FY 99 school year.

Audit of the Department of Employment Services (DOES) Collection Procedures for Delinquent Unemployment Taxes, March 31, 1999

Our audit found that collection procedures for delinquent unemployment taxes were not effective and/or were infrequently used. Additionally, we noted that DOES was not monitoring the delinquent employers' pay plans. We identified 35 employers who had active pay plans in the amount of \$1.7 million in delinquent taxes.

Department of Employment Services Audit of Disability Compensation Overpayments, March 3, 1999

Our audit determined that DOES paid \$2.1 million in disability benefit overpayments to current and former District employees. We also noted that DOES had not: (1) made a concerted effort to collect overpayments; (2) maintained adequate and required records regarding accounts receivable; and (3) complied with its own write-off policies regarding delinquent accounts. As a result, the District has forfeited monies that could have been used for other needed purposes.

Controls Required to Identify Unneeded Telephone Lines and to Eliminate Unauthorized Telephone Charges, February 11, 1999

Our audit showed that approximately 9,000 telephone lines costing approximately \$1.8 million per year were not being used. We also found that the District lost approximately \$173,000 in savings over a twelve-month period by not fully utilizing the discounted FTS2000¹. Further, the District paid the telephone company gross receipt sales taxes

¹ FTS2000 is a General Services Administration managed program that provides domestic long distance telecommunications to federal agencies and the District at a lower rate than is available from regular commercial services

amounting to approximately \$781,000 even though it was exempt by law from paying these taxes.

Report on the FY 98 Audit of District of Columbia Projects Funded by the Federal Highway Administration, December 16, 1998

During FY 98, we audited 51 highway projects totaling in excess of \$110 million. We recovered overpayments on these projects of approximately \$483,000.

Audit of the Office of Cable Television and Telecommunications (OCTT), April 14, 1999

Our audit determined that internal controls applicable to OCTT operations were not adequate to prevent or detect material errors or irregularities. Deficiencies were noted in the areas of personnel management, procurement and contract administration, financial management, and control of assets.

Cash Verification of Metropolitan Police Department's Main Imprest Fund, November 13, 1998

Our audit disclosed that control and accountability over the imprest funds were inadequate. Documentation acknowledging the receipt and responsibility for related sub-funds, totaling \$61,900 was not updated. Further, we could not determine who was responsible for each of the sub-funds, and the amount in each.

Audit of Tuition Collections by the University of the District of Columbia's Division of Continuing Education, September 17, 1999

Our audit showed that controls, procedures and supervision over Division of Continuing Education operations were inadequate and collection receipts were not properly accounted for. This resulted in a misappropriation of collection receipts and improper payments for instructor salaries.

Audit of Parking Revenue Fees at the University of the District of Columbia for the period August 1, 1997, to May 15, 1998, July 26, 1999

Our audit identified that an apparent theft of \$69,006 of parking fee revenues occurred during the audit period. A confession to the theft was obtained through a joint investigation with our Investigations Division. Full restitution of the amounts identified as stolen was imposed by court officials.

Audit of the University of the District of Columbia's Telephone System, July 20, 1999

Our audit determined that improvements were needed in documenting administrative controls over the telephone system operations and complying with the Office of the Chief Technology Officer's Federal Telecommunication System (FTS) 2000 initiatives.

Letter Report – Improvements Needed in Tax Collection Procedures, October 29, 1998

Our audit revealed that written procedures need to be established over the processing of delinquent tax payments collected by the Office of Tax and Revenue (OTR) Officers and for the processing of tax compliance certifications within OTR.

Letter Report - Follow-up Department of Motor Vehicles, October 27, 1998

Our audit found that vehicle title information dating back to 1994 had not been microfilmed as required by regulation. Insufficient training and staffing were the cause of this deficiency.

Management Implication Reports Issued in FY 99

A Management Implication Report (MIR) provides agency heads with information about conditions that may exist at their agencies. They are used to provide information necessary to detect and correct similar conditions should such conditions exist in their own agencies. When notified of the control weaknesses, the agencies with noted deficiencies immediately took positive action that should correct, and preclude recurrence of, the condition we observed. The Audit Division issued the following three MIRs during FY 99.

Cellular Telephone Usage, September 27, 1999

Our review disclosed that there were insufficient and inadequate policies and procedures governing the use of, and accountability for, cellular telephones. Additionally, we determined that inventories were not maintained or kept up to date. Further, telephone usage appeared excessive or for personal use, and telephone bills were not reviewed prior to payment.

Status of Review Efforts on the District's Year 2000 Readiness, August 12, 1999

Our review disclosed the following areas of concern: insufficient funding for Y2K remediation; slow procurement processes; ineffective coordination among District agencies; inadequate staffing and training; and lack of documents/certifications of an agency's Y2K compliance. The subject matter contained in this report was quoted in Congressional hearings and testimonies before the D.C. Council.

Financial Disclosure Statements, May 24, 1999

Our review disclosed that Confidential Statements of Employment and Financial Interests (DC Form 35) were not properly completed by District employees. Additionally, we observed that the process was ineffective in detecting or resolving conflicts of interest or the appearance of conflicts of interest because the instructions for filing DC Form 35 were complicated or contained inconsistent language.

This deficiency was also reported in a Management Alert Report issued on May 24, 1999.

Management Alert Reports Issued in FY 99

A Management Alert Report (MAR) is a report that is issued to the head of an agency for the purpose of identifying systemic problems that are identified during an audit. This report can also be used as a quick reaction report when it is necessary to advise management that immediate action is needed before the completion of audit work. When notified of the control weaknesses, the agencies with noted deficiencies immediately took positive action that should correct, and preclude recurrence of, the condition we observed. The Audit Division issued the following five MARs in FY 99.

Job Training Partnership Act, June 18, 1999

As part of our audit of the Department of Employment Services (DOES) Tax Accounting System, we examined the Job Training Partnership (JTPA) program. During this review, we identified that DOES was unable to process any JTPA applications or benefit checks for the period of March 5, 1999, to April 25, 1999, because of data input hardware failure. Approximately 400-500 financial assistance checks are processed each week. Because of this failure, JTPA program recipients who were eligible for financial assistance were not receiving support payment checks.

Confidential Statements of Financial Disclosure, May 10, 1999

As part of an audit at the Department of Housing and Community Development (DHCD), we examined Confidential Statements of Employment and Financial Interests (DC Form 35). Our tests showed that DHCD employees did not understand the guidance and did not disclose all required employment and financial interests. In addition, when employees did identify such interests, reviewers did not obtain sufficient information to make an informed judgement as to whether a conflict of interest or appearance of a conflict of interest existed.

A corresponding MIR was issued on this same subject on May 24, 1999.

District of Columbia Year 2000 (Y2K) Readiness Status, January 28, 1999

This report apprised the District and Congressional leadership of the status of the Y2K Conversion program in the District's 18 Agencies regarded as mission critical. We also addressed four agencies that required crisis management assistance. These were the Metropolitan Police Department, the Department of Employment Services, the Office of the Chief Financial Officer, and D.C. General Hospital.

District of Columbia's Year 2000 Readiness Status, March 22, 1999

This second report on the District's Y2K readiness focused on the status of all agencies, particularly on the contingency plans for dealing with Y2K. It showed that 17 of 18 mission critical agencies were about 50 percent complete with their contingency plans. However, many of the other 50 District agencies were still behind schedule.

Year 2000 Business Continuity and Contingency Planning, January 29, 1999

As part of an audit at the Department of Employment Services (DOES), we determined that DOES had not developed a Year 2000 contingency plan for providing uninterrupted services for collecting unemployment taxes and paying unemployment benefits in the event that the District Unemployment Tax Accounting System and the District's Unemployment Compensation Accounting System failed to work.

Certifications

In response to statutory requirements set forth in the FY 99 Appropriations Act for D.C., we performed the following certifications.

Certification – City Museum Account - The Historical Society of Washington, D.C., September 30, 1998

We certified that the Historical Society deposited \$2 million into a separate society account for the establishment and operation of a Museum of the City of Washington, D.C. at the Carnegie Library at Mount Vernon Square in Washington, D.C. This certification will allow the Historical Society to receive matching federal funds from the Secretary of the Treasury to assist with the Museum project.

Certification of Services Provided to the Public Schools in the District of Columbia by the National Capital Area Council of the Boy Scouts of America, November 19, 1998

The Appropriations Act allocated \$244,078 for services on behalf of 12,600 students at 39 public schools in the District. We certified that 34 schools received services from the Boy Scouts for 10,865 students at a cost of \$210,455.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Organization

The OIG Investigations Division is headed by an Assistant Inspector General for Investigations (AIGI), a Deputy AIGI (DAIGI), and four Directors who report to the DAIGI and manage the daily operations of their assigned units. The Director of the Public Corruption Unit (PCU) is responsible for conducting both administrative and criminal investigations involving allegations of bribery and corruption by District public officials, including the Metropolitan Police Department (MPD). The Director of the Procurement Fraud Unit (PFU) is responsible for the management of both administrative and criminal investigations into allegations of fraud, waste and abuse by District contractors and/or District employees involved in the procurement process. The Director of the Health Care Fraud Unit (HCFU) is responsible for managing investigations into allegations of fraud, waste and abuse in District Healthcare programs. The Director of the General Investigations Unit (GIU) is responsible for managing both administrative and criminal investigations into all allegations of fraud, waste and abuse involving all District personnel and agencies not specifically handled by the other investigative units. The AIGI is responsible for setting policy and providing guidance and direction to the division, while the four unit Directors manage the daily operations of specific investigations.

The Investigations Division is responsible for conducting criminal investigations into allegations of criminal misconduct by District employees and contractors. When criminal conduct is indicated, such investigations are presented to the Office of the United States Attorney (USAO) and Office of the Corporation Counsel. Such investigations are routinely worked as cooperative ventures between this Office and other local and federal law enforcement agencies.

Administrative investigations are typically initiated by allegations of mismanagement, waste, and abuse on the part of District employees and contractors which result in a violation of District policies and regulations. The focus of these investigations includes: (1) making a definitive determination as to “what is broken” within an agency; (2) identifying the individual(s) responsible for the management failure; (3) making concrete recommendations to correct identified deficiencies; and (4) making recommendations for disciplinary actions where warranted. Administrative investigations often result from criminal matters that, for various reasons, are not prosecuted by the USAO.

In addition to four operational units, the Investigations Division also includes a Records Management Unit, which is responsible for maintaining investigative files. This unit is responsible for querying a number of databases for information needed to support ongoing investigations and the overall mission of this Division.

Another component of the Investigations Division is the Referral Program. Complaints or allegations received by this Office that do not warrant formal investigations are

routinely referred to the various District agencies for resolution. Specific issues and questions are formulated and recipient agencies are requested to address them and respond to this Office by a specified date. The Referral Program has met with considerable success during the past fiscal year.

Credentials/Qualifications

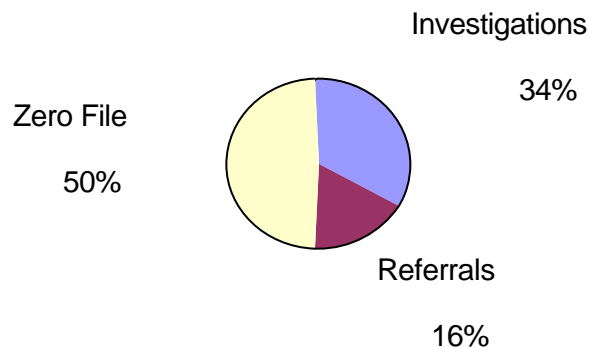
The Investigations Division is comprised of 26 persons, including 22 investigators, one Special Assistant and three support staff. Investigators are required to have a four-year degree from an accredited college or university. Many of our investigators hold advanced degrees as well as professional certifications. Our staff includes former investigators and managers from agencies such as the FBI, the Drug Enforcement Administration (DEA), the Army Criminal Investigations Division (CID), and major police departments. Newly hired investigators are required to attend and successfully pass an eight-week basic training course at the Federal Law Enforcement Training Academy, Glynco, Georgia. In addition, we require that all investigative personnel meet the firearms qualification standards of both the FBI and the MPD.

FY 99 Investigation Statistics

There are three general methods of resolving allegations and other investigative matters that come to the OIG. The first method is to open a formal investigation, which may result in the issuance of a Report of Investigation (ROI). The second method is to refer the matter to the head of an agency for inquiry and resolution, with a detailed report of the results to be returned to the OIG by a specific deadline. The third method, in the case of *de minimus* matters or matters that we lack sufficient resources to address, or both, is to place the case in our “Zero” file without further action.

At the start of FY 99, the OIG had 130 pending investigations that were initiated during prior years. An additional 670 investigative matters were received during FY 99. Of those 670 matters, 227 were opened as formal investigations, 109 were referred to agency heads for action, and 334 were closed without investigative efforts by placing them in the zero file.

The pie chart below reflects the methods we used in addressing investigative matters received in FY 99:



Investigations

FY 99 began with a pending inventory of 130 investigations. During FY 99, an additional 227 matters were formally opened as investigations. A review of the chart below reflects the significant increases in investigative activities experienced in FY 99 in comparison to FY 98. While the number of investigations opened increased 35 percent over FY 98, the number of matters investigated, resolved and closed during FY 99 increased 147 percent over FY 98.

Activity	1999	1998	% Increase
Investigations Opened	227	168	35%
Investigations Closed	188	76	147%
ROIs Prepared	26	22	18%

The following is a breakdown, by District agencies/departments involved, of the 188 investigations closed in FY 99:

Administrative Services	2
Advisory Neighborhood Commission	4
Board of Elections and Ethics	1
City Administrator	1
Chief Financial Officer	4
Council of the District of Columbia	1
D.C. General Hospital	11
D.C. Public Schools	19
D.C. Superior Court	1
Department of Consumer and Regulatory Affairs	11
Department of Corrections	7
Department of Employment Services	6
Department of Finance and Revenue	2
Department of Health	3
Department of Housing and Community Development	5
Department of Human Rights and Minority Business Development	4
Department of Human Services (CMHS)	8
Department of Human Services (EDS/CSS)	10
Department of Public Works	12
Department of Recreation and Parks	1

Fire and Emergency Medical Services Department	5
Metropolitan Police Department	30
Office of Business and Economic Development	1
Office of Cable Television	3
Office of Banking and Financial Institutions	1
Office of Personnel	1
Office of the D.C. Treasurer	1
Parole Board	1
Public and Assisted Housing	2
St. Elizabeth Hospital	1
Taxicab Commission	2
University of the District of Columbia	5
Water and Sewer Authority	2
Other	22
Total	188

Prosecutions, Actions and Sanctions Resulting From OIG Investigations

Criminal violations uncovered by the OIG are, by statute, referred to the USAO for prosecution. In FY 99, the OIG presented nineteen cases to the USAO for possible prosecution, and sixteen were accepted.

<i>OIG Cases Referred to USAO:</i>	Cases Accepted:	16
	Cases Declined:	<u>3</u>
	Total Cases Referred:	19

The investigations conducted by the OIG (in some cases, in conjunction with other law enforcement agencies) resulted in sixteen convictions. Fourteen were sentenced; they received sentences ranging from imprisonment to probation and home detention.

Restitution and Recoveries

During FY 99 individuals convicted as a result of OIG investigations were ordered to pay a total of approximately \$1,183,023 in restitution, fines, assessments, taxes, and penalties. In addition, the Investigations Division recouped property and monies that had been fraudulently taken; this category is classified as “recoveries.” As shown below, the FY 99 productivity for restitution and recoveries significantly exceeds that of FY 98.

Summary of Restitution and Recoveries

	FY 99	FY 98
<i>Restitution</i>	\$1,183,023.00	\$353,661.00
<i>Recoveries</i>	\$2,451.00	\$0

Reports of Investigation (ROIs)

The OIG issued twenty-six ROIs in FY 99. An ROI is issued at the conclusion of significant investigations and sets forth a detailed summary of the investigation that contains substantiated allegations and recommendations for sanctions, where appropriate. (Cases of less significance, or those in which the complaint cannot be substantiated, are closed by memorandum). ROIs are then distributed to the heads of "action agencies." An action agency is defined as one having the authority to enforce the sanctions recommended. An Executive Summary is prepared for each ROI where misconduct is substantiated. The Executive Summary contains a synopsis of the investigation that conceals the identity of individual subjects and witnesses. This summary is distributed to the Mayor, the Council, the Control Board and the Congress where appropriate. ROIs issued in FY 99 involved a wide variety of violations, including the following: falsified time and attendance records; misuse of government-owned vehicles; theft and misuse of funds; utilization of fraudulent vending permits; unauthorized adjudication of citations; falsified loan applications; false earning statements; improper acceptance of gratuities; forged election petitions; conflicts of interest; abuse of leave; inefficient operations concerning the emergency telephone system ("911"); improper administration of contracts, and bribery.

Significant Investigations

Unauthorized Acceptance of Gratuities by District Employees

An Associate Director of an agency was found to have: (1) accepted gratuities in the form of food, beverages, golf tournaments, tickets to theater events, and promotional items from several government contractors; (2) accepted gratuities from a contractor during the evaluation/selection phase of the awarding of a District contract in which the same contractor was in competition; and (3) attempted to pay, and thus obligate, unbudgeted District funds to a private firm, from which she had also accepted gratuities, for services rendered to the District without a contract. Furthermore, two of the Associate Director's staff members were found to have also accepted gratuities from government contractors. This case is currently pending administrative action.

Theft from Programs Receiving Federal Funds at the University of the District of Columbia (UDC)

An OIG audit & investigation revealed the theft of \$69,006 in parking fee revenues during the period beginning August 1, 1997, and ending May 15, 1998, at the UDC Van Ness campus. A former UDC employee identified as the perpetrator subsequently pled guilty in U.S. District Court and was ordered to make full restitution to UDC.

Solicitation and Acceptance of Services by an Acting Director of a District Department from Contractors without the Benefit of a Contract

The Acting Director developed a close working relationship with a contractor and shared with him information concerning the scope and magnitude of a pending project within the department. Consequently, the contractor obtained information not available to other potential bidders and received an unfair competitive advantage. The Acting Director also attempted to improperly sole source a contract worth approximately \$50,000 to the same contractor. Administrative action is currently pending against the employee.

Fraud and Theft of \$799,802.85 from the D.C. Lottery by a Lottery Agent

The former proprietor of a licensed D.C. Lottery store was indicted, and subsequently arrested in California, on charges of Computer Fraud and First Degree Theft stemming from the use of his store's electronic lottery terminal. Between October 1, 1997, and October 9, 1997, this individual issued to himself, without payment, \$503,649.85 worth of lottery tickets. The proprietor then validated 494 of these fraudulently obtained tickets throughout the city for a total cash value of \$296,153.00. Trial in this matter is set for February 2, 2000.

Forgery of D.C. Superior Court Certificates and Theft of Funds Used for Payment of Witness Fees

A court investigator pled guilty in D.C. Superior Court to forging the signatures of a purported witness and defense attorney on a court witness voucher, thereby falsely certifying that the witness was present in the courthouse for a criminal case. The investigator subsequently presented the fraudulent voucher to the Superior Court for payment and stole the monies. The investigator was initially charged with 37 counts of forgery and nine counts of theft. Trial in this matter is scheduled for January 2000.

Contract Fraud, Bribery and Conspiracy Involving the Former Director of the D.C. Department of Human Rights/Local Business Development, a Former D.C. Fire Department Employee and a D.C. Government Contractor

A jointly conducted investigation by the OIG and the FBI revealed that the former Director owned and operated a company which was contracted to the Fire Department for the procurement of medical supplies that were never provided. Similar activity occurred between another government contractor and the same Fire Department employee. For

FY 96 through FY 98, D.C. Government payments to the two companies totaled over \$290,000, which was shared by the conspirators. The former Director pled guilty, was sentenced to two years in prison and ordered to pay \$88,460.15 in restitution. The Fire Department employee pled guilty and was sentenced to one year and one day in prison and ordered to pay \$100,000 in restitution. The owner of the government-contracted company pled guilty and was sentenced to two years in prison and ordered to pay \$200,000 in restitution. A fourth individual pled guilty and was sentenced to two years probation and ordered to pay \$500.00 in restitution. The OIG conducted an administrative investigation of these same issues and concluded that a budget analyst for the Department of Human Rights/Local Business Development, misused his official position for personal gain and benefit. The OIG recommended that this employee be terminated from D.C. Government employment. The employee was terminated on June 4, 1999.

Retaliatory Action Taken Against a Former UDC Employee by District Officials for Reporting Criminal Allegations to the OIG

A former UDC employee was verbally harassed and ostracized by senior UDC officials for reporting two incidents of suspected criminal behavior to the OIG. This employee was later involuntarily transferred to another District agency, at a lower pay rate. Based on the results of this investigation, the OIG found that two District officials had violated District regulations which prohibit reprisal against employees who report wrongdoing to this Office. Recommendations for disciplinary action were made to the Mayor and official actions are pending.

Allegations of Bribery by a District Employee

As a result of an OIG Hotline complaint, the Investigations Division conducted an investigation into an allegation that a District of Columbia hack inspector was demanding and receiving money from taxicab drivers in exchange for “fixing” tickets that he or other hack inspectors had issued. The investigation determined that the hack inspector identified in the complaint, on at least two occasions, received \$150 bribes. The investigation also revealed that the hack inspector failed to appear for 22 scheduled hearings involving tickets he had issued. His failure to appear resulted in the dismissal of 27 tickets and a corresponding loss of \$3,000 in fines and revenue to the District.

The facts of this investigation were presented to the USAO, and an Assistant U.S. Attorney agreed to prosecute the matter. The hack inspector entered a guilty plea to an Information charging him with one count of Receipt of a Bribe by a Public Official. He was subsequently sentenced to six months in prison.

Alleged Abuse of “900” Prefix Telephone Numbers by a Contract Security Guard

This investigation was predicated on a MAR prepared by the OIG Audit Division. During its review of the District of Columbia’s Telecommunications System, the Audit Division discovered that the Department of Human Services’ (DHS) telephone bill for a

one and one-half month period totaled approximately \$11,377 in calls made to numbers with the “900” prefix. As a result, a recommendation was made that the Chief Technology Officer take action to block all District telephone numbers from calling numbers with the area code “900”.

The OIG conducted an investigation to determine who was responsible for making the “900” number calls at DHS. It was subsequently determined that a contract security guard was responsible for making the calls. The USAO charged the individual with one count of Theft Concerning Programs Receiving Federal Funds, for which he was sentenced to four months of home detention and ordered to pay restitution in the amount of \$10,653.46.

Alleged Embezzlement of Funds in Excess of \$42,000 by an Employee of the D.C. Department of Corrections (DOC)

When a DOC Accounting Supervisor discovered two fraudulent travel expense reimbursement checks in the names of two individuals who were not DOC employees, it was determined that a DOC Accounting Technician was responsible for the issuance of the two checks. A joint investigation between the OIG and FBI revealed that from March 1992 to March 1998, the subject employee was responsible for entering false information into the Financial Management System (FMS) on 78 occasions, resulting in a total of \$42,315 in fraudulent expense checks. The employee would either pick up the checks or have them delivered directly to her. She, in turn, delivered the checks to the individual payees, who were typically friends and former neighbors. At her direction, these individuals then cashed the checks at local banks and liquor stores and gave half the cash to her. The employee was subsequently arrested and charged by the USAO with Theft from a Local Government Agency Receiving Federal Funds. She later pled guilty and was sentenced to nine months in prison.

Referrals

The OIG frequently refers to other departments and agencies administrative matters that can be handled by the agencies themselves. In most cases, the OIG monitors the responses to such referrals to ensure that the matter is handled appropriately. During FY 99, the Referral Program (RP) played a significant role in energizing District agency officials to combat fraud, waste and abuse within their respective agencies. The focus of the RP is that of holding agency heads accountable for thoroughly addressing issues of mismanagement and inefficiency within their respective agencies. During FY 99, the OIG referred a total of 109 matters to the following District agencies:

Board of Elections and Ethics	1
Chief Financial Officer	2
Chief Procurement Officer	1
D.C. General Hospital	5
D.C. Public Schools	10

Department of Consumer and Regulatory Affairs	6
Department of Corrections	5
Department of Employment Services	4
Department of Finance and Revenue	4
Department of Health	7
Department of Housing and Community Development	1
Department of Human Services (CMHS)	13
Department of Human Services (EDS/CSS)	7
Department of Public Works	16
Department of Recreation and Parks	2
Fire and Emergency Medical Services Department	2
Metropolitan Police Department	7
Office of Cable Television	1
Office of the Corporation Counsel	1
Real Property and Management Office Of	1
Water and Sewer Authority	4
Other	9
Total	109

Significant Results from the Referral Program

The following are examples of significant referrals sent to agency heads by the OIG during FY 99:

OIG No. 99-0416: This referral to the Department of Human Services involved an allegation of public assistance fraud by a recipient who had moved to Virginia without notifying the agency. The agency's investigation substantiated the allegation, and the matter was referred for criminal prosecution. In addition, efforts would be made to recoup any funds due and owing to the District.

OIG No. 99-0423: This referral to the D.C. Public Schools (DCPS) was the result of an OIG investigation into the hiring of a substitute teacher, despite his criminal record for sex-related offenses. Based on the recommendations of the OIG, the DCPS implemented new procedures to ensure that persons with criminal backgrounds are not hired as teachers in the District.

OIG No. 99-0484: This OIG referral to the Department of Motor Vehicles concerned an allegation that an individual had received a District of Columbia driver's license despite having no insurance and having shown a false identification. The agency's investigation substantiated the allegation, and the person's D.C. driver's license was suspended.

OIG No. 99-0501: This referral to the Department of Human Services concerned an allegation of public assistance fraud. The agency's investigation substantiated the allegation, showing that the subject was not a District resident and was, therefore,

ineligible to receive public assistance from DHS. In addition, this individual failed to report income as required to assess eligibility for public assistance. The matter was referred for criminal prosecution; efforts will also be made to recoup lost District funds.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

Organization

The new OIG Inspections and Evaluations Division (I&E) has a start-up staff of seven, led by an Assistant Inspector General (AIG) who is an experienced federal sector manager, management analyst, and investigator. The Deputy Assistant Inspector General for I&E is an experienced manager, management analyst and auditor who provides day-to-day supervision of a senior management analyst, a junior management analyst, an auditor, an investigator, and an administrative assistant.

I&E is responsible for conducting inspections of District government agencies and programs. An inspection is a process other than an investigation, and different from the financial focus of an audit, that is aimed at evaluating, reviewing, and analyzing the management, programs, and activities of a department or agency in order to provide information and recommendations that will assist managers in improving the operations of an organization, program, policy, or procedure. The objectives of inspections include providing a source of factual and analytical information, monitoring compliance, measuring performance, assessing the efficiency and effectiveness of operations, and conducting inquiries into allegations of fraud, waste, abuse, and mismanagement.

Activities and Accomplishments

Inspection of the OIG

In June 1999, at the direction of the IG, I&E began an inspection of the OIG. The IG wanted to ensure that the OIG's own house was in order prior to initiating an agenda encompassing inspections of other D.C. agencies and programs. I&E was charged with determining OIG's strengths and weaknesses, assessing any need for reforms, and with bringing its findings and recommendations to the IG for decision and action.

The inspection found a high degree of motivation and enthusiasm for the mission of the OIG and the potential of the Office to contribute to significant improvements in the operations of the District of Columbia. A majority of the employees expressed satisfaction with the ability of OIG to make a positive impact on the programs and services the city provides to its citizens. The inspection team also found areas requiring reform, repair, or improvement, including: (1) policies and procedures; (2) management and pay structure; (3) administrative support, and (4) some investigative and auditing practices. The inspection team made several significant recommendations that are now being implemented by the IG.

Inspection of the Department of Motor Vehicles

In August 1999, the newly appointed Director of the Department of Motor Vehicles (DMV) formally requested that the IG conduct an inspection and evaluation of her department. The inspection began in September and is nearing conclusion. The inspection team has evaluated: (1) the effectiveness of DMV management; (2) the effectiveness of key operations as measured against best practices and generally recognized customer service standards; (3) the sufficiency of the work environment, tools and training available to employees to ensure good productivity and quality of work; (4) the views of users regarding the quality and efficiency of the principal computer systems, and (5) adherence to laws, regulations and policies. The team paid particular attention to those areas of high concern to DMV. The Report of that inspection will be available in February 2000.

Inspection Plans and Resource Requirements

I&E is developing an Inspection Plan that will include a schedule of inspections focusing on several agencies with critical service delivery responsibilities that need urgent assistance in improving their managerial and organizational effectiveness. This will require a significant increase in staffing. ***Three teams of five to six inspectors could potentially conduct nine to ten moderate-scale inspections per year (one inspection every four months) or four or five large-scale inspections per year. Current staffing limits I&E to only three or four inspections of narrow focus or to small agencies and issues.*** Accordingly, we plan to request additional FTEs to augment this Division in order to have a second I&E team working at all times.

The potential of OIG's Inspections and Evaluations program to help agency managers move toward meeting the Mayor's performance measures and dramatically improve city services clearly is very high. In addition, a sufficiently staffed, professional I&E team usually can perform more cost effectively than contractors conducting similar operations. For example, a management consultant firm is currently contracted to DMV at more than \$300,000 for a management study that OIG/I&E estimates it could do for one-third to two-thirds of that amount because there are no profit considerations, no bidding costs and other preparation fees, and lower overhead.

Summary

I&E will conduct inspections and evaluations with professionalism, thoroughness, impartiality, objectivity, timeliness, and in full coordination with the entity being evaluated. It will adhere to the standards for OIG inspections and evaluations promulgated by the President's Council on Integrity and Efficiency, as well as to the standards mandated by the Inspector General of the District of Columbia. With appropriate staffing, I&E will play a significant role in collective efforts toward meeting the goal of the Inspector General and the Mayor for significant improvements in the management of District Government operations and the delivery of services to D.C. citizens.

APPENDICES

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Inspector General
Fiscal Year 1999 Audit Division Statistics

ACTIVITY	FY 99	FY 98	PERCENTAGE INCREASE/ PERCENTAGE DECREASE
OIG Reports Issued	28	23	22%
OIG Audits Outstanding	17	13	31%
Contract Audits Completed	44	21	110%
Contract Audits Outstanding	59	40	48%
Total Audits Completed	72	44	64%
Total Audits Outstanding	76	53	43%
OIG Audit Savings	\$18,884,000	\$2,798,000	575%
Contract Audit Savings	\$ 9,482,500	\$9,650,000	-2%
Total Savings From All Audits	\$28,366,500	\$12,448,000	128%
Contract Solicitation Cancelations	27	35	-23%
Signing of Annual City- Wide Audit Contract	Signed 6/99	Signed 9/98	

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of The Inspector General
Fiscal Year 1999 Investigations Division Statistics

ACTIVITY	FY 99	FY 98	PERCENTAGE INCREASE / PERCENTAGE DECREASE
Investigative Matters Addressed*	670	321	109%
Investigations Closed**	188	76	147%
Investigative Reports Prepared (ROI's)	26	22	18%
Cases Referred	109	42	259%
Referred Cases Closed	51	21	143%
Cases Accepted by USAO	19	23	-17%
Cases Presented to Corporation Counsel	2	0	N/A
Restitution	\$ 1,183,023	\$ 353,661	235%
Recoveries	\$ 2,541	\$ -----	N/A
Convictions	16	24	-33%

*Includes active investigations, referrals to other agencies, and administrative closures of complaints received during FY 99.

**This category includes some complaints received prior to FY 99.

.GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Inspector General

FISCAL YEAR 1999 HOTLINE STATISTICS

CATEGORY	Q1	Q2	Q3	Q4	TOTAL
Fraud, theft or false claims	4	11	8	8	31
Bribery, extortion, kickbacks or illegal gratuities	1	3	0	0	4
Misuse of government funds or property, or use of official position for private gain	5	12	5	6	28
Government waste, inefficiency or mis-management	3	20	9	14	46
Contract fraud or procurement violations	7	4	2	1	14
False statements	0	0	0	0	0
Threats to public health, public safety or the environment, or unsafe working conditions	2	6	4	2	14
Complaints involving the police department	5	6	5	4	20
Physical assault or threat of violence	0	1	1	0	2
Ethical violations or conflicts of interest	2	0	0	0	2
Time and Attendance fraud	5	10	7	8	30
Harassment, retaliation or abuse of authority by supervisor or other government official	5	2	0	1	8
Complaints against an agency involving a personal financial or other interest of the complainant	11	30	33	43	117
Hiring, promotion or other treatment of employees in violation of personnel regulations	3	9	5	6	23
Incivility or lack of agency response	0	0	9	6	15
Miscellaneous	4	6	4	5	19
TOTAL	57	120	83	98	358